

**REDEVELOPMENT AGENCY OF THE COUNTY OF SAN DIEGO**

**COMPONENT UNIT FINANCIAL STATEMENTS**

**JUNE 30, 2003**

**REDEVELOPMENT AGENCY OF THE COUNTY OF SAN DIEGO**  
**Component Unit Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

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## INDEPENDENT AUDITOR'S REPORT

Members of the Governing Board  
Redevelopment Agency of the County of San Diego  
San Diego, California

We have audited the accompanying component unit financial statements of the Redevelopment Agency of the County of San Diego (Agency), a component unit of the County of San Diego, as of and for the fiscal year ended June 30, 2003, as listed in the table of contents. These component unit financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly in all material respects the financial position of the governmental activities, and each major fund of the Redevelopment Agency of the County of San Diego as of June 30, 2003, and the respective change in financial position, thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is supplementary information required by the Government Accounting Standards Board, but is not part of the component unit financial statements. We have applied certain limited procedures to this information, principally inquiries of management regarding the methods of measurement and presentation of this information, however, we did not audit this information and we express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Redevelopment Agency of the County of San Diego's component unit financial statements. The individual fund budget to actual comparison statements are presented for purposes of additional

analysis and are not a required part of the component unit financial statements. The individual fund budget to actual comparison statements have been subjected to the auditing procedures applied in the audit of the component unit financial statements, and, in our opinion, are fairly stated in all material respects in relation to the component unit financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2003, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim  
November 4, 2003

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The San Diego County Board of Supervisors created the Redevelopment Agency of the County of San Diego (Agency) on March 4, 1975 in accordance with California Redevelopment Law. The Board of Supervisors of the County of San Diego has by Ordinance No. 4393 (New Series) declared itself to be the governing board. The Department of Housing and Community Development provides administrative oversight for the Agency. The Agency has two projects: Gillespie Field Redevelopment Project managed by the Department of Public Works (DPW) and the Upper San Diego River Redevelopment Project (USDRIP) managed by Department of Planning and Land Use (DPLU).

The Agency was established to provide a method for eliminating slums and blighted areas, improving housing, expanding employment opportunities, and providing an environment for the social, economic and psychological growth, and well-being of all citizens of the County. The Gillespie Field Project Area is approximately 746 acres located at Gillespie Field Airport in the City of El Cajon. USDRIP is a redevelopment project covering 529 acres located along both sides of the San Diego River and along Highway 67 in the community of Lakeside.

Pursuant to Health and Safety Code sections 33080 through 33080.4 the Agency is required to submit an annual report to the Local Governmental Fiscal Affairs (LGFA) unit of the State Controller within six months of the end of the Agency's fiscal year. The annual report includes completed financial reports, a component unit audit, and the report on the Status and Use of the Low and Moderate Income Housing Fund. It is prepared in conjunction with the Departments of Housing and Community Development, Planning and Land Use, Public Works, and County Auditor and Controller. Failure to meet the deadline will result in a fine of up to \$10,000.

In compliance with Governmental Accounting Standard Board (GASB) Statement Number 34, two government-wide statements are required. They are the Statement of Net Assets and the Statement of Activities. The Management Discussion and Analysis (MD&A), this section, is also a requirement of the component unit audit. The analysis will discuss the transactions, events, conditions, financial resources, and results of operation that are shown in the financial statements.

## FINANCIAL HIGHLIGHTS

- The Gillespie Field Project maintained Rosenow and Spevacek Group Inc. to determine the share of the three school districts and the County Superintendent of Schools on the excess tax increment received by the agency. Pursuant to Section 111.2 of the Settlement Agreement, the agency is obligated to pay Santee Union School, Grossmont Union High School, Cajon Valley Union School District, and the County Department of Education 49.31% of any excess tax increment revenues for capital facilities beginning five years after the sale of bonds in 1995. At June 30, 2003, \$421,020 was payable to the Schools for excess tax increment revenue.
- USDRIP continued debt repayment to the Flood Control District wherein \$100,000 was paid in fiscal year 02-03 to reduce the outstanding loan.
- Interest Income received by the agency has decreased by almost 37 percent from prior fiscal year due to a lower rate of return on investments.
- On September 24, 2002, the Board of Directors of the Agency approved the rescission of The Regulatory Agreement (Agreement) and Management Contract (Contract) with the Home of Guiding Hands.

## OVERVIEW AND ANALYSIS OF THE FINANCIAL STATEMENTS

The component unit financial statements will include the following: Statement of Net Assets; Statement of Activities, fund financial statements, notes to the financial statements, and supplementary information.

**Statement of Net Assets** presents government-wide information of the Agency's assets, liabilities, and net assets. It measures not only the current liabilities but also long-term liabilities of the Agency. The table below illustrates the Agency's condensed Statement of Net Assets and analysis.

### COMPARISON BETWEEN 2 YEARS

	FY 2002-2003	FY 2001-2002	Increase/ -Decrease	Percentage
<b>ASSETS</b>				
Cash, Investments, and Other Current Assets	<u>\$ 6,666,670</u>	<u>\$ 5,412,044</u>	<u>\$ 1,254,626</u>	23.18%
<b>LIABILITIES</b>				
Accounts Payable and Other Current Liabilities	15,826,871	11,122,210	4,704,661	42.30%
Bonded and Long-Term Debt Payable	<u>4,400,000</u>	<u>4,530,000</u>	<u>-130,000</u>	-2.87%
<b>TOTAL LIABILITIES</b>	<u>20,226,871</u>	<u>15,652,210</u>	<u>4,574,661</u>	29.23%
<b>NET ASSETS</b>				
Restricted	3,715,264	3,066,515	648,749	21.16%
Deficit	<u>-17,275,465</u>	<u>-13,306,681</u>	<u>-3,968,784</u>	29.83%
<b>TOTAL NET ASSETS</b>	<u><u>\$-13,560,201</u></u>	<u><u>\$-10,240,166</u></u>	<u><u>\$ -3,320,035</u></u>	-32.42%

- Total Net Assets showed a deficit because the Due to Other Funds or Advances from Other Funds are reflected in the fund balance sheet as current liabilities. This will minimize "grossing-up" on assets and liabilities within the governmental funds; the redevelopment agency is reporting the loans or debts but the assets are shown in the Airport Enterprise Fund, County General Fund, Lakeside Sanitation District, and the Flood Control District.
- The increase of tax increment revenue contributed to the 23.18% increase in assets in the Equity in pooled cash and investments.
- The increase in other current liabilities was due to interest payable on the revenue bonds and on the loans payable to the County that was accrued in 2002-03 under GASB Statement No. 34.
- Agency's Bonded and Long Term Debt Payable decreased by 2.87% as per the debt service schedule.
- Restricted Net Assets increased due mainly to the increase of Low and Moderate Income Housing set aside and lower debt service payment this fiscal year.

Details of the decrease of \$3,320,035 of net assets are explained in the Schedule of Changes in Net Assets below.

#### COMPARISON BETWEEN 2 YEARS

	FY 2002-2003	FY 2001-2002	Increase/ -Decrease	Percentage
<b>ADDITIONS</b>				
Tax Increment	\$ 2,236,651	\$ 2,129,000	\$ 107,651	5.06%
Interest Income	115,535	182,987	-67,452	-36.86%
Miscellaneous	59,895	0	59,895	100.00%
<b>TOTAL ADDITIONS</b>	<u>2,412,081</u>	<u>2,311,987</u>	<u>100,094</u>	<u>4.33%</u>
<b>DEDUCTIONS</b>				
Capital Projects	299,059	140,380	158,679	113.04%
Education-Contribution to School Districts	658,952	528,262	130,690	24.74%
Interest Expense on Bonds	553,303	305,275	248,028	81.25%
<b>TOTAL DEDUCTIONS</b>	<u>1,511,314</u>	<u>973,917</u>	<u>537,397</u>	<u>55.18%</u>
Prior Period Adjustment	-4,220,802	0	-4,220,802	
<b>CHANGES IN NET ASSETS</b>	<u>\$-3,320,035</u>	<u>\$ 1,338,070</u>	<u>\$-4,658,105</u>	<u>-348.12%</u>

**Changes in Net Assets.** The Agency's total revenue is derived mostly from tax increment revenues. The Agency's assessed values increased by \$24 million. This increase affected the contribution to the School Districts, since their share depends on the tax increment revenue. The capital project expenditures increased by 113.04% due to labor charges in the Capital Project Fund per work authorization established in fiscal year 02-03. Interest Income is down by 36.86% due to lower rate of return on investment. The miscellaneous revenue of \$59,895 in fiscal year 02-03 included a refund from the local power utility for \$35,234 and a payment of \$24,660 received from NTC Development Inc. for Housing (20%) in lieu fees.

**Statement of Activities** reports the operations of the Agency. It measures the revenues and expenses by functions or activities using the economic resources measurement focus and accrual basis of accounting; revenues and expenses resulting from exchange and exchange-like transactions are reported when the exchange occurred.

**Fund Statements** consist of the Combined Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances. Long-term debt is eliminated in the Balance Sheet because governmental fund statements are only required to report assets and liabilities that are due during the fiscal year or soon thereafter. The principal payment of Debt Service is recorded as an expense in the Statement of Revenues, Expenditure, and Changes in Fund Balances but not in the Statement of Activities because revenues and expenses are to be recognized in the fund statements when cash or services are received during the current fiscal year or soon thereafter.

**The Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget & Actual** presents the original or adopted budget at the beginning of the fiscal year; the final or updated budget; actual GAAP amounts; and any GAAP differences affecting actual revenues or expenditures.

- Original budget from Miscellaneous Expense of \$680,736 in Upper San Diego River Improvement Capital Project Fund was decreased by \$80,000 to establish appropriations in the Upper San Diego River Improvement Housing Fund for Contributions to Other Agencies. This transfer was due to \$80,000 over realized tax increment revenue by the Upper San Diego River Improvement Capital Project Fund to be transferred to the Upper San Diego River Improvement Housing Fund.
- Miscellaneous Expense in the Upper San Diego River Improvement Capital Project Fund original budget was further decreased by \$21,029 to establish appropriations to Contributions to Other Agencies for the required transfer of the Educational Augmentation Fund payment.
- The decrease in the Professional Services in the Gillespie Field Capital Project fund was decreased by \$39,359 to establish appropriations to Contributions to Other Agencies for the required transfer of the Education Augmentation Fund payment.
- In fiscal year 2001-02, the Agency's Board of Directors approved two awards totaling \$400,400 to the Home of Guiding Hands for the rehabilitation of four group homes. A Regulatory Agreement and Management Contract between the Agency and the Home of Guiding Hands was executed and recorded with the San Diego County Recorder. The Home of Guiding Hands requested that the Agreement and Contract be rescinded. The Directors approved the rescission in fiscal year 02-03 which will return \$400,400 to available fund balance for future housing needs.

## NEW DEVELOPMENTS

The Gillespie Field Redevelopment Project has negotiated a new lease with Southern California Aircraft Repair, located on Joe Crosson Drive, which will result in future construction of 35,000 square feet of hangar space and 2,500 square feet of commercial and office space. In fiscal year 02-03, two constructions had been completed. One is the construction of 43,000 square feet of aircraft storage space on the northeast side of Marshall Avenue by La Jolla Investment, Inc. Aircraft Storage Space also completed a construction of 17,500 square feet, 10-unit hangar building and aircraft washing facility located on Joe Crosson Drive. Royal Jet Inc also started another construction for a 37,000 square feet hangar, concrete ramp, and a self-service fuel facility on Kenney Street.

Gillespie Field Redevelopment Project objectives for fiscal 03-04 is to complete narrative and Airport Layout Plan for the Gillespie Field Master Plan, to issue a request for proposal for remaining 5 acres of aviation land located on Marshall Avenue west of Allen Airways Museum, evaluate commercial development potential of property located at southeast corner of Cuyamaca and Weld, and to determine highest and best use for 40 acres located at northwest corner of Cuyamaca and Weld and evaluate strategies to provide infrastructure improvements.

The Upper San Diego River Improvement Project objective for fiscal year 03-04 is to complete their Master Trail Plan. A conceptual/general Riverway Trail alignment was released for public review in June 2003 to further define opportunities and constraints for each of the planned trail segments, develop a cost analysis for its implementation, and prepare environmental documentation for the Riverway Trail alignment.



**REDEVELOPMENT AGENCY OF THE COUNTY OF SAN DIEGO**  
**STATEMENT OF NET ASSETS**  
**June 30, 2003**

**ASSETS**

	<u>Governmental Activities</u>
Equity in pooled cash and investments	\$ 5,971,811
Cash and investments with fiscal agents	429,539
Tax increment receivable	11,517
Interest receivable	25,353
Deferred charges - net of accumulated amortization of \$103,136	<u>228,450</u>
 Total Assets	 <u>6,666,670</u>

**LIABILITIES**

Accounts payable	529,358
Interest payable	4,703,758
Due to the County of San Diego - loans	10,463,755
Long-term debt:	
Due in one year	130,000
Due in more than one year	<u>4,400,000</u>
 Total Liabilities	 <u>20,226,871</u>

**NET ASSETS**

Restricted for:	
Debt service	1,688,170
Low and moderate income housing	<u>2,027,094</u>
 Total restricted net assets	 3,715,264
 Unrestricted (deficit)	 <u>(17,275,465)</u>
 Total Net Assets (Deficit)	 <u><u>\$ (13,560,201)</u></u>

See accompanying notes to component unit financial statements

**REDEVELOPMENT AGENCY OF THE COUNTY OF SAN DIEGO  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Expenses</u>	<u>Net Expense and Changes in Net Assets</u>
<b>Governmental Activities:</b>		
<b>Expenses:</b>		
Community development - projects	\$ 299,059	\$ 299,059
Pass-through payments - school districts	658,952	658,952
Interest on long-term debt	553,303	553,303
<b>Total</b>	<b>\$ 1,511,314</b>	<b>1,511,314</b>
<b>General revenues:</b>		
Incremental property taxes		2,236,651
Use of money and property		115,535
Other		59,895
<b>Total general revenues</b>		<b>2,412,081</b>
<b>Change in Net Assets</b>		<b>900,767</b>
<b>Net Assets (Deficit) - Beginning</b>		<b>(10,240,166)</b>
<b>Prior Period Adjustments</b>		<b>(4,220,802)</b>
<b>Net Assets (Deficit) - Ending</b>		<b>\$ (13,560,201)</b>

See accompanying notes to component unit financial statements

**REDEVELOPMENT AGENCY OF THE COUNTY OF SAN DIEGO**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2003**

	Gillespie Field			Upper San Diego River		
	Redevelopment Capital Project Fund	Housing Fund	Debt Service Fund	Redevelopment Capital Project Fund	Housing Fund	Totals
<b>ASSETS</b>						
Equity in pooled cash and investments	\$ 299,514	\$ 1,064,828	\$ 1,954,310	\$ 1,692,251	\$ 960,908	\$ 5,971,811
Cash and investments with fiscal agent			429,539			429,539
Tax increment receivable			6,040	5,477		11,517
Interest receivable	1,404	4,344	8,243	7,449	3,913	25,353
Due from other funds	437,846	17,417		14,955	19,346	489,564
<b>Total Assets</b>	<b>\$ 738,764</b>	<b>\$ 1,086,589</b>	<b>\$ 2,398,132</b>	<b>\$ 1,720,132</b>	<b>\$ 984,167</b>	<b>\$ 6,927,784</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Accounts payable	\$ 499,076	\$ 8,879	\$ -	\$ 18,401	\$ 3,002	\$ 529,358
Due to other funds	14,917	16,826	423,520	19,346	14,955	489,564
Due to the County of San Diego - loans	9,350,433		286,442	826,880		10,463,755
<b>Total Liabilities</b>	<b>9,864,426</b>	<b>25,705</b>	<b>709,962</b>	<b>864,627</b>	<b>17,957</b>	<b>11,482,677</b>
<b>FUND BALANCES</b>						
Reserved for:						
Debt service			1,688,170			1,688,170
Low and moderate income housing		1,060,884			966,210	2,027,094
Unreserved	(9,125,662)			855,505		(8,270,157)
<b>Total Fund Balances</b>	<b>(9,125,662)</b>	<b>1,060,884</b>	<b>1,688,170</b>	<b>855,505</b>	<b>966,210</b>	<b>(4,554,893)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 738,764</b>	<b>\$ 1,086,589</b>	<b>\$ 2,398,132</b>	<b>\$ 1,720,132</b>	<b>\$ 984,167</b>	<b>\$ 6,927,784</b>

See accompanying notes to component unit financial statements

**REDEVELOPMENT AGENCY OF THE COUNTY OF SAN DIEGO  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
June 30, 2003**

Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds because of the following:

Fund Balances - Governmental Funds	\$ (4,554,893)
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**LONG-TERM ASSETS AND LIABILITIES**

The assets and liabilities below are not due and payable in the current period and therefore are not reported in the funds:

Prepaid items - deferred changes	228,450
Long-term debt	(4,530,000)
Interest payable	<u>(4,703,758)</u>

<b>NET ASSETS (DEFICIT) OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (13,560,201)</u></b>
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See accompanying notes to component unit financial statements

**REDEVELOPMENT AGENCY OF THE COUNTY OF SAN DIEGO  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Gillespie Field			Upper San Diego River		
	Redevelopment Capital Project Fund	Housing Fund	Debt Service Fund	Redevelopment Capital Project Fund	Housing Fund	Totals
<b>REVENUES</b>						
Property tax increment	\$ 702,986	\$ -	\$ 533,700	\$ 999,965	\$ -	\$ 2,236,651
Use of money and property	7,553	19,360	38,508	32,837	17,277	115,535
Other	35,235				24,660	59,895
<b>Total Revenues</b>	<b>745,774</b>	<b>19,360</b>	<b>572,208</b>	<b>1,032,802</b>	<b>41,937</b>	<b>2,412,081</b>
<b>EXPENDITURES</b>						
Current:						
Community development	181,289			117,770		299,059
Debt service:						
Principal			125,000			125,000
Interest and fiscal charges			298,796			298,796
Pass through agreements - school districts	495,009	10,788		152,195	960	658,952
<b>Total Expenditures</b>	<b>676,298</b>	<b>10,788</b>	<b>423,796</b>	<b>269,965</b>	<b>960</b>	<b>1,381,807</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>69,476</b>	<b>8,572</b>	<b>148,412</b>	<b>762,837</b>	<b>40,977</b>	<b>1,030,274</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in		247,337			199,993	447,330
Operating transfers out	(247,337)			(199,993)		(447,330)
<b>Total Other Financing Sources (Uses)</b>	<b>(247,337)</b>	<b>247,337</b>		<b>(199,993)</b>	<b>199,993</b>	
<b>NET CHANGE IN FUND BALANCES</b>	<b>(177,861)</b>	<b>255,909</b>	<b>148,412</b>	<b>562,844</b>	<b>240,970</b>	<b>1,030,274</b>
<b>FUND BALANCES, BEGINNING OF FISCAL YEAR</b>	<b>(8,947,801)</b>	<b>804,975</b>	<b>1,539,758</b>	<b>292,661</b>	<b>725,240</b>	<b>(5,585,167)</b>
<b>FUND BALANCES, END OF FISCAL YEAR</b>	<b>\$ (9,125,662)</b>	<b>\$ 1,060,884</b>	<b>\$ 1,688,170</b>	<b>\$ 855,505</b>	<b>\$ 966,210</b>	<b>\$ (4,554,893)</b>

See accompanying notes to component unit financial statements

**REDEVELOPMENT AGENCY OF THE COUNTY OF SAN DIEGO  
RECONCILIATION OF THE  
NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS  
WITH THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES	\$ 1,030,274
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

**LONG-TERM DEBT PAYMENTS**

Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balance	125,000
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**ACCRUAL OF NON-CURRENT ITEMS**

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Prepaid items – Amortization	( 13,308)
Interest payable	<u>(241,199)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>900,767</u>
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See accompanying notes to component unit financial statements

**REDEVELOPMENT AGENCY OF THE COUNTY OF SAN DIEGO**  
**NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of the Redevelopment Agency of the County of San Diego (Agency) conform to accounting principles generally accepted in the United States of America (USGAAP) applicable to governmental units. The following is a summary of the more significant of such policies:

**a. Reporting Entity**

The accompanying financial statements report on the financial activities of the Agency. The Agency, a blended component unit of the county, is a separate but related entity, of the County. The Agency's financial statements are also included in the County's Comprehensive Annual Financial Report (CAFR). The reason for including the Agency in the CAFR is the exercise of oversight responsibility over the Agency's activities by the County Board of Supervisors who also act as the Agency's Board of Directors.

**b. Basis of Presentation**

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34. The implementation of GASB 34 required the Agency to present a Management Discussion and Analysis (MD&A) and two additional statements: Statement of Net Assets and Statement of Activities. An analysis of activities of the Agency is discussed in the MD&A. The Statement of Net Assets and Statement of Activities are government wide statements that present the Agency's assets, liabilities, revenues, and expenses using the economic resources focus and accrual basis of accounting.

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 30 days after fiscal year-end. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on long-term debt, if any, is recognized when due.

*Non-exchange transactions*, in which the Agency gives or receives value without directly receiving or giving value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The financial transactions of the Agency are recorded in individual funds. The various funds are reported by type in the financial statements. The Redevelopment Agency uses the following governmental fund types:

**Capital Projects Funds**

These funds are used to account for financial resources obtained and used for acquisition or construction of major capital facilities of the Gillespie Field Redevelopment Project and the Upper San Diego River Project. Also included are mandatory set-asides for housing projects.

**REDEVELOPMENT AGENCY OF THE COUNTY OF SAN DIEGO  
NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS  
JUNE 30, 2003**

**Note 1– Summary of Significant Accounting Policies (Continued)**

**b. Basis of Presentation (Continued)**

**Debt Service Fund**

This fund is used to account for the accumulation of resources for the payment of principal and interest of the Revenue Bonds, Series 1995 (Gillespie Project).

Interfund-activity between funds is eliminated to minimize the doubling effect in both the fund and government-wide statements

**c. Reserves for Low and Moderate Income Housing**

Per Health and Safety Code Section 33334.2, not less than 20% of all taxes which are allocated to the agency pursuant to Health and Safety Code Section 33670 must be set aside by the Agency for the purpose of increasing, improving, and preserving the community's supply of low and moderate income housing.

The reserves for the Upper San Diego River Project and the Gillespie Field Project that represent the required 20% set aside for housing amounted to \$966,210 and \$1,060,884, respectively, at June 30, 2003.

**d. Major Funds**

GASB Statement 34 defines major funds and requires that the Agency's major governmental type funds be identified and presented separately in the fund financial statements. Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures equal to ten percent of their fund-type total and five percent of the grand total. The Agency has determined that all its funds are major funds.

The Agency reported the following major governmental funds in the accompanying financial statements:

**Housing Funds – Gillespie Field and Upper San Diego River Project Areas –** These funds account for the portion of County tax increment funds received for redevelopment related purposes, and set aside for low and moderate income housing.

**Capital Projects Funds – Gillespie Field and Upper San Diego River Project Areas –** These funds account for redevelopment project capital outlays.

**Debt Service Fund – Gillespie Field Project Area –** This fund accounts for debt service payments on the Agency's long-term debt issues.



**REDEVELOPMENT AGENCY OF THE COUNTY OF SAN DIEGO  
NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS  
JUNE 30, 2003**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**e. Accounting Policies**

**Revenue**

The Agency's primary source of revenue is property taxes, referred to in the accompanying component unit financial statements as "incremental property taxes". Property taxes allocated to the Agency are computed in the following manner:

- a. The assessed valuation of all property in the Project Areas is determined on the date of adoption of the Redevelopment Plan by a designation of a fiscal year assessment role.
- b. Property taxes related to any incremental increase in assessed values after the adoption of a Redevelopment Plan are allocated to the Agency; all taxes on the "frozen" assessed valuation of the property are allocated to the County and other districts receiving taxes from the project area.

The Agency has no power to levy and collect taxes and any legislative property tax reduction would lower the amount of tax revenues that would otherwise be available to pay the principal and interest on bonds or loans from the County. Conversely, any increase in the tax rate or assessed valuation or any elimination of present exemptions would increase the amount of tax revenues that would be available to pay principal and interest on bonds or loans from the County.

The Agency is also authorized to finance the Redevelopment Plan from other sources, including assistance from State and federal governments, interest income, and the issuance of Agency debt.

**Property Taxes**

Revenue is recognized in the fiscal year for which the tax and assessment is levied. The County of San Diego levies, bills, and collects property taxes for the Agency; the County reunites the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and February 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1 and becomes delinquent on August 31.

**REDEVELOPMENT AGENCY OF THE COUNTY OF SAN DIEGO**  
**NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**f. Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (USGAAP), except that the Capital Projects Funds' expenditures are budgeted normally on a project length basis rather than annually. Formal budgetary integration is employed as a management control device.

**g. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, deferred loss on refundings, and issuance costs, are deferred and amortized over the life of the bonds. These items are reported as deferred charges and amortized over the term of the related debt.

**h. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ those estimates.

**Note 2 – Reconciliation of Government-Wide and Fund Financial Statements**

**1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The Governmental fund balance sheet includes a reconciliation between fund balance-total governmental funds and net assets-governmental activities as reported in the government-wide statement of net assets.

Deferred charges are not available to pay for current period expenditures and therefore are not reported as governmental fund assets. These deferred charges net of accumulated amortization are as follows:

Deferred issue costs, net of amortization of \$63,763	\$ 141,237
Discount on debt issue, net of amortization of \$39,373	<u>87,213</u>
	<u><u>\$ 228,450</u></u>

**REDEVELOPMENT AGENCY OF THE COUNTY OF SAN DIEGO**  
**NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

**Note 2 – Reconciliation of Government-Wide and Fund Financial Statements (Continued)**

- 1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets (Continued)**

Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. These liabilities are as follows:

Revenue bonds	\$ 4,530,000
Accrued interest payable	<u>4,703,758</u>
	<u><u>\$ 9,233,758</u></u>

- 2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities.

The reconciliation states that “The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets”. The details of this adjustment are as follows:

Debt principal repayment:	
Revenue bonds	\$ 125,000
Amortization of issuance costs and discount	(13,308)
Change in accrued interest payable	<u>(241,199)</u>
Total long-term debt adjustment	<u><u>\$ (129,507)</u></u>

**Note 3 – Equity in Pooled Cash and Investments**

The Redevelopment Agency’s cash and cash equivalents are reported on the balance sheet as “Equity in Pooled Cash and Investments”. The County maintains a cash and investment pool that is available for use by all funds of the County and other agencies for which the County treasury is the depository. Interest earned on the pooled funds is accrued in a pooled interest apportionment fund and is allocated quarterly based on the average daily cash balances of the participating funds. It is adjusted to reflect fair value per GASB Statement No. 31 and to reflect availability of revenues from other funds to comply with GASB Statement No. 33.

**REDEVELOPMENT AGENCY OF THE COUNTY OF SAN DIEGO**  
**NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

**Note 3 – Equity in Pooled Cash and Investments (Continued)**

Further disclosures regarding the County's cash and investment pool are included in the notes to the County's CAFR for the fiscal year ended June 30, 2003.

**Restrictions on Cash Balances**

Cash balances of \$2,025,736 at June 30, 2003 are restricted by law for Low and Moderate Income Housing. See Note 1, Reserves for Low and Moderate Income Housing discussed above for reference.

**Note 4 – General Long-Term Debt and Due to County of San Diego**

Long-term debt is reported in the Statement of Net Assets. Changes in long-term debt for the fiscal year ended June 30, 2003, are as follows:

	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003	Due Within One Year
<i>Revenue Bonds Payable</i>					
Gillespie Field	<u>\$ 4,655,000</u>	<u>\$ -</u>	<u>\$ (125,000)</u>	<u>\$ 4,530,000</u>	<u>\$ 130,000</u>

The Redevelopment Agency of the County of San Diego issued and sold \$5,100,000 of Revenue Bonds, Series 1995 (Gillespie Project) during fiscal year 1995/96. The interest rates on the bonds range from 4.75% to 6.10%. Payments are made from tax increment revenue and loans from the County Airport Enterprise Fund. Proceeds from the bonds, less underwriter's discount, financed the construction of capital projects including streets, utilities, sidewalks, traffic signals, street lighting, and drainage improvements.

The following is the Gillespie Revenue Bond schedule of debt service requirements to maturity.

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2004	\$ 130,000	\$ 291,845	\$ 421,845
2005	140,000	284,350	424,350
2006	150,000	276,118	426,118
2007	160,000	267,165	427,165
2008	170,000	257,510	427,510
2009-2013	1,060,000	1,104,405	2,164,405
2014-2018	1,515,000	677,531	2,192,531
2019-2021	1,205,000	125,719	1,330,719
	<u>\$ 4,530,000</u>	<u>\$ 3,284,643</u>	<u>\$ 7,814,643</u>

**REDEVELOPMENT AGENCY OF THE COUNTY OF SAN DIEGO**  
**NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

**Note 4 – General Long-term Debt and Due to Other Funds-Loans (Continued)**

Due to the County of San Diego - Loans

Loans between the Agency and the County are treated as liabilities in the Agency's funds and assets in the County. The Agency has agreed to pay interest on all funds advanced or loaned to the Agency when funds are available for this purpose. Interest accrues on the average quarterly outstanding balance, at a rate equal to the average County earned investment rate as determined by the County Treasurer.

The principal costs are required to be restricted in fund balance. The principal and accrued interest costs for loans outstanding as of June 30, 2003, are as follows:

<u>Project</u>	<u>Loaning Fund/District</u>	<u>Principal</u>	<u>Interest</u>
Gillespie Field (See also Note 5)	Airport Enterprise Fund	<u>\$ 9,636,875</u>	<u>\$ 3,963,825</u>
Upper San Diego River	San Diego County Flood Control District	3,100	125,772
	General Fund	688,780	437,286
	Lakeside Sanitation Dist.	<u>135,000</u>	<u>78,402</u>
Total Upper San Diego River		<u>826,880</u>	<u>641,460</u>
Total		<u><u>\$10,463,755</u></u>	<u><u>\$ 4,605,285</u></u>

No future debt maturity schedule is disclosed due to the fact repayment is only due when funds are available.

**Note 5 – Administrative Costs**

These amounts are accounted for as prescribed in the State Controller's "Uniform Accounting System for Community Redevelopment Agencies." Included within this classification are salaries and wages of County employees engaged in planning, survey, and design work for the Upper San Diego River Project.

**Note 6 – Commitments**

Future Tax Revenues

Litigation regarding the Gillespie Field Redevelopment Project was settled on June 26, 1989. The Agency is essentially obligated to provide future property tax revenue considerations to certain school districts, as defined in the Settlement Agreement.

**REDEVELOPMENT AGENCY OF THE COUNTY OF SAN DIEGO**  
**NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

**Note 6 – Commitments (Continued)**

Future Tax Revenues (Continued)

Additionally, cooperation agreements exist between the Agency and certain school districts regarding the Upper San Diego River Project, obligating the Agency to provide future property tax revenue considerations to these school districts. This started in Fiscal Year 1991/92 when tax increment revenue collection began for the Upper San Diego River Project. Future property tax revenue considerations for the two projects cannot be reasonably estimated since these revenues are based upon future economic conditions.

Contracts

During 1998 and 1999, the Agency entered into a cooperative agreement with the City of El Cajon for the "Marshall Avenue Developments and Improvements" project. This project was completed in June 2000. The two year contract called for expenditures of \$2,447,750 by the County.

During fiscal year 99/00 this contract was increased by \$250,000 to \$2,697,750; of this, \$825,000 will be paid by the County Airport Enterprise Fund and \$1,872,750 will be paid by the Agency's Gillespie Field Project. During fiscal year 99/00, \$1,384,380 had been expended by the Gillespie Field Project and \$825,000 had been expended by the County Airport Enterprise Fund.

In fiscal year 00/01, an additional \$462,291 was expended on the Marshall Avenue Project. During fiscal year 02/03, total expenditures of \$20,061 were incurred specifically for the Marshall Avenue Project.

County Airport Enterprise Fund Reimbursement

The adopted Plan for the Gillespie Field Redevelopment Project Area provides for use of incremental tax revenue for public improvements. Revenue Bonds, Series 1995 (Gillespie Project) sold during Fiscal Year 1995/96 (see Note 3) are being used as the financing mechanism for the Redevelopment Project, with debt service costs covered through the property tax increment combined with loans from the County Airport Enterprise Fund.

The litigation, described above, delayed the issuance of the bond and, in the interim; the County Airport Enterprise Fund funded the initial expenditures of approximately \$3.7 million for the Gillespie Field's Cuyamaca West and Marshall Avenue Project. At June 30, 2001, additional funding of \$5.9 million from the County Airport Enterprise Fund was recorded. As of June 30, 2003, the Redevelopment Agency is required to reimburse the County Airport Enterprise Fund approximately \$9.6 million for these projects. Interest of approximately \$3.9 million has accrued on these loans as of June 30, 2003.

**REDEVELOPMENT AGENCY OF THE COUNTY OF SAN DIEGO**  
**NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

**Note 6 – Commitments (Continued)**

**General**

There are certain claims against the Agency which have been denied and referred to the Agency insurance carrier. The Agency believes that none of these claims will exceed insurance coverage.

Under the terms of federal, county, and state grants, periodic audits are required and certain costs may be questioned as not appropriate expenditures under the terms of the grants. Such audits could lead to reimbursements to the grantor agencies. If some expenditures were disallowed, the Agency believes such disallowances, if any, would be immaterial.

**Note 7 – Net Assets And Fund Balances**

GASB Statement 34 adds the concept of Net Assets, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

**A. Net Assets**

Net Assets are divided into three captions under GASB Statement 34. These captions apply only to Net Assets as determined at the Government-wide level, and are described below:

*Invested in Capital Assets, net of related debt* describes the portion of Net Assets which is represented by the current net book value of the Agency's capital assets, less the outstanding balance of any debt issued to finance these capital assets.

*Restricted* describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Agency cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income housing purposes.

*Unrestricted* describes the portion of Net Assets which is not restricted as to use.

**B. Fund Balances**

Fund balances consist of reserved and unreserved amounts. Reserved fund balances represent that portion of fund balance which is legally segregated for low and moderate income housing projects as required by the California Health and Safety Code or debt service expenditures as required under bond indenture.

**REDEVELOPMENT AGENCY OF THE COUNTY OF SAN DIEGO**  
**NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

**Note 8 – Prior Period Adjustments**

The Agency has made prior period adjustments to the government-wide financial statements. These adjustments are as follows:

An adjustment was made for an under accrual  
of interest payable at June 30, 2002:

Revenue bonds	\$ (100,273)
Due to the County of San Diego	(4,362,287)

An adjustment was made for the non capitalization  
of deferred charges, net of amortization of \$89,828

241,758
<u>\$ (4,220,802)</u>

**Note 9 – Subsequent Events**

Litigation

During fiscal year 2000/01, the City of El Cajon entered into litigation with the contractors of the Marshall Avenue Project. The parties (City of El Cajon and project contractors) agreed to skip mediation and proceed directly to arbitration. The lawsuit has now been settled. However, the City of El Cajon has asked the County for a contribution towards the settlement. To date, the County and City have not reached an agreement on the amount.



## **SUPPLEMENTAL INFORMATION**

**REDEVELOPMENT AGENCY OF THE COUNTY OF SAN DIEGO  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
GILLESPIE FIELD REDEVELOPMENT CAPITAL PROJECT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
<b>REVENUES</b>				
Property tax increment	\$ 803,828	\$ 803,828	\$ 702,986	\$ (100,842)
Use of money and property	48,882	48,882	7,553	(41,329)
Other			35,235	35,235
<b>Total Revenues</b>	<b>852,710</b>	<b>852,710</b>	<b>745,774</b>	<b>(106,936)</b>
<b>EXPENDITURES</b>				
Current:				
Community development	409,958	409,958	181,289	228,669
Pass through agreements - school districts	468,988	468,988	495,009	(26,021)
<b>Total Expenditures</b>	<b>878,946</b>	<b>878,946</b>	<b>676,298</b>	<b>202,648</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(26,236)</b>	<b>(26,236)</b>	<b>69,476</b>	<b>95,712</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	157,847	157,847		(157,847)
Operating transfers out	(378,081)	(378,081)	(247,337)	130,744
<b>Total Other Financing Sources (Uses)</b>	<b>(220,234)</b>	<b>(220,234)</b>	<b>(247,337)</b>	<b>(27,103)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(246,470)</b>	<b>(246,470)</b>	<b>(177,861)</b>	<b>68,609</b>
<b>FUND BALANCE, BEGINNING OF FISCAL YEAR</b>	<b>(8,947,801)</b>	<b>(8,947,801)</b>	<b>(8,947,801)</b>	
<b>FUND BALANCE, END OF FISCAL YEAR</b>	<b>\$ (9,194,271)</b>	<b>\$ (9,194,271)</b>	<b>\$ (9,125,662)</b>	<b>\$ 68,609</b>

See accompanying notes to component unit financial statements

**REDEVELOPMENT AGENCY OF THE COUNTY OF SAN DIEGO  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
GILLESPIE FIELD HOUSING FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Use of money and property	\$ 26,000	\$ 26,000	\$ 19,360	\$ (6,640)
Total Revenues	26,000	26,000	19,360	(6,640)
<b>EXPENDITURES</b>				
Current:				
Pass through agreements - school districts	500,000	500,000	10,788	489,212
Total Expenditures	500,000	500,000	10,788	489,212
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(474,000)	(474,000)	8,572	482,572
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	374,199	374,199	247,337	(126,862)
Total Other Financing Sources (Uses)	374,199	374,199	247,337	(126,862)
<b>NET CHANGE IN FUND BALANCE</b>	(99,801)	(99,801)	255,909	355,710
<b>FUND BALANCE, BEGINNING OF FISCAL YEAR</b>	804,975	804,975	804,975	
<b>FUND BALANCE, END OF FISCAL YEAR</b>	<u>\$ 705,174</u>	<u>\$ 705,174</u>	<u>\$ 1,060,884</u>	<u>\$ 355,710</u>

See accompanying notes to component unit financial statements

**REDEVELOPMENT AGENCY OF THE COUNTY OF SAN DIEGO  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
GILLESPIE FIELD DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property tax increment	\$ 694,975	\$ 694,975	\$ 533,700	\$ (161,275)
Use of money and property	116,959	116,959	38,508	(78,451)
Total Revenues	811,934	811,934	572,208	(239,726)
<b>EXPENDITURES</b>				
Debt Service:				
Principal	135,000	135,000	125,000	10,000
Interest and fiscal charges	312,178	312,178	298,796	13,382
Other	364,756	364,756		364,756
Total Expenditures	811,934	811,934	423,796	388,138
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>			148,412	148,412
<b>NET CHANGE IN FUND BALANCE</b>			148,412	148,412
<b>FUND BALANCE, BEGINNING OF FISCAL YEAR</b>	1,350,974	1,350,974	1,539,758	188,784
<b>FUND BALANCE, END OF FISCAL YEAR</b>	<u>\$ 1,350,974</u>	<u>\$ 1,350,974</u>	<u>\$ 1,688,170</u>	<u>\$ 337,196</u>

See accompanying notes to component unit financial statements

**REDEVELOPMENT AGENCY OF THE COUNTY OF SAN DIEGO  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
UPPER SAN DIEGO RIVER REDEVELOPMENT CAPITAL PROJECT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property tax increment	\$ 1,152,676	\$ 1,152,676	\$ 999,965	\$ (152,711)
Use of money and property	1,000	1,000	32,837	31,837
<b>Total Revenues</b>	<b>1,153,676</b>	<b>1,153,676</b>	<b>1,032,802</b>	<b>(120,874)</b>
<b>EXPENDITURES</b>				
Current:				
Community development	815,707	815,707	117,770	697,937
Pass through agreements - school districts	181,029	181,029	152,195	28,834
Debt Service:				
Principal payment	100,000			
<b>Total Expenditures</b>	<b>1,096,736</b>	<b>996,736</b>	<b>269,965</b>	<b>726,771</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>56,940</b>	<b>156,940</b>	<b>762,837</b>	<b>605,897</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers out	(206,940)	(206,940)	(199,993)	6,947
<b>Total Other Financing Sources (Uses)</b>	<b>(206,940)</b>	<b>(206,940)</b>	<b>(199,993)</b>	<b>6,947</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(150,000)</b>	<b>(50,000)</b>	<b>562,844</b>	<b>612,844</b>
<b>FUND BALANCE, BEGINNING OF FISCAL YEAR</b>	<b>292,661</b>	<b>292,661</b>	<b>292,661</b>	
<b>FUND BALANCE, END OF FISCAL YEAR</b>	<b>\$ 142,661</b>	<b>\$ 242,661</b>	<b>\$ 855,505</b>	<b>\$ 612,844</b>

See accompanying notes to component unit financial statements

**REDEVELOPMENT AGENCY OF THE COUNTY OF SAN DIEGO  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
UPPER SAN DIEGO RIVER HOUSING FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Use of money and property	\$ 200	\$ 200	\$ 17,277	\$ 17,077
Other			24,660	24,660
Total Revenues	200	200	41,937	41,737
<b>EXPENDITURES</b>				
Current:				
Community development	127,140	127,140		127,140
Pass through agreement - school districts	80,000	80,000	960	79,040
Total Expenditures	207,140	207,140	960	206,180
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(206,940)</b>	<b>(206,940)</b>	<b>40,977</b>	<b>247,917</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	206,940	206,940	199,993	(6,947)
Total Other Financing Sources (Uses)	206,940	206,940	199,993	(6,947)
<b>NET CHANGE IN FUND BALANCE</b>			<b>240,970</b>	<b>240,970</b>
<b>FUND BALANCE, BEGINNING OF FISCAL YEAR</b>	<b>725,240</b>	<b>725,240</b>	<b>725,240</b>	
<b>FUND BALANCE, END OF FISCAL YEAR</b>	<b>\$ 725,240</b>	<b>\$ 725,240</b>	<b>\$ 966,210</b>	<b>\$ 240,970</b>

See accompanying notes to component unit financial statements

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Members of the Governing Board  
Redevelopment Agency of the County of San Diego  
San Diego, California

We have audited the component unit financial statements of the Redevelopment Agency of the County of San Diego (Agency) (a component unit of the County of San Diego, California) as of and for the fiscal year ended June 30, 2003, and have issued our report thereon dated November 4, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether the component unit financial statements of the Agency are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies* Issued by the California State Controller. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the component unit financial statements being audited may occur and not be

detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Agency's Board of Directors, management, and the California State Controller's Office Division of Accounting and Reporting. However, this report is a matter of public record and its distribution is limited.

Moss, Levy & Hartzheim  
Beverly Hills, California

*Moss, Levy & Hartzheim*

November 4, 2003